

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  MIDAMERICAN ENERGY COMPANY	DOCKET NO. RPU-94-3
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**ORDER GRANTING ONE-YEAR EXTENSION OF INCENTIVE  
GAS SUPPLY PROCUREMENT PLAN**

(Issued November 17, 2003)

On July 17, 2002, MidAmerican Energy Company (MidAmerican) filed a request for continuation of the Incentive Gas Supply Procurement Plan (IGSPP) with the Utilities Board (Board). MidAmerican requested that the Board grant an extension of the IGSPP for a two-year period beyond the current expiration date of October 31, 2002, to October 31, 2004. The filing was identified as Docket No. RPU-94-3.

On October 28, 2002, the Board granted MidAmerican an extension for one year rather than the two-year extension. The Board stated that it only granted the one-year extension because of concerns about continuation of the IGSPP when MidAmerican Holdings Company, the parent of MidAmerican, acquired Northern Natural Gas Company (Northern), one of the primary interstate pipelines that supplies MidAmerican with natural gas. The Board stated further that since awards under the IGSPP are calculated based upon discounts with Northern, the Board wanted to ensure the contracts were negotiated at arm's length. The Board found

that negotiations between MidAmerican and Northern would require closer scrutiny because the two companies had become affiliates.

On October 6, 2003, MidAmerican filed a request with the Board that the IGSP be extended for another year from November 2003 through October 2004. MidAmerican indicates that the Consumer Advocate Division of the Department of Justice (Consumer Advocate) has been monitoring written communications between MidAmerican and Northern; further, in its annual affiliate filing on September 2, 2003, MidAmerican disclosed all contracts, arrangements, and transactions between it and Northern.

On October 22, 2003, Consumer Advocate filed a pleading indicating that it does not oppose the extension of the IGSP for one year.

The Board finds that the IGSP should be extended for another year. The Board has seen no indication that negotiations between MidAmerican and Northern have been other than at arm's length. In addition, the issue of the affiliate relationship between MidAmerican and Northern is an issue in Northern's rate case before the Federal Energy Regulatory Commission (FERC), Docket No. RP03-398. Although the Board has seen no information to this date in that docket or otherwise that negotiations have been other than arm's length, the Board will continue to closely monitor the information disclosed in the FERC rate case, the communications between MidAmerican and Northern, and MidAmerican's affiliate transaction filings.

The Board recognizes that the IGSPS has resulted in significant sharing between MidAmerican and ratepayers under the first seven years of the plan. However, the affiliation between MidAmerican and Northern has changed the parameters of the original plan and the Board wants to ensure that the awards that MidAmerican receives under the IGSPS are for discounts negotiated in good faith. The IGSPS should function to the benefit of ratepayers as well as MidAmerican and its parent company.

**IT IS THEREFORE ORDERED:**

MidAmerican Energy Company's request for an extension of its Incentive Gas Supply Procurement Plan from November 2003 through October 2004 is granted.

**UTILITIES BOARD**

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 17<sup>th</sup> day of November, 2003.